Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 06-18, Michigan State Income Tax Withholding

Date: June 5, 2006

To: Holders of TAXES (State of Michigan only)
Personnel User Groups
T&A Contact Points in Michigan

Beginning with wages paid for Pay Period 11, the National Finance Center (NFC) will make the following change to the state of Michigan income tax withholdings:

■ The annual exemption amount will increase from $3,200 to $3,300.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's Home Page (*www.nfc.usda.gov*) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "▶◀".

For questions about NFC processing, contact the Payroll/Personnel Call Center at **504-255-4630** .

MARK J. HAZUDA, Director
Government Employees Services Division

N F C

B U L L E T I N

Michigan State Income Tax Information

State Abbreviation:	MI
State Tax Withholding State Code:	26
Acceptable Exemption Form:	MI-W4
Basis For Withholding:	State Exemptions
Acceptable Exemption Data:	0 / Number of Exemptions
TSP Deferred:	Yes
Special Coding:	Determine the Total Number Of Allowances Claimed field as follows:

      First Position - Enter 0 (zero)

      Second and Third Positions - Enter the number of exemptions claimed (Line 6 on the MI-W4).

Additional Information:	None

Withholding Formula ▶(Effective Pay Period 11, 2006)◀

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.

2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) (includes flexible spending account - health care and dependent care deductions) from the amount computed in step 1.

3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.

4. Multiply the adjusted gross biweekly wages by 26 to obtain the gross annual wages.

5. Determine the exemption allowance by applying the following guideline and subtract this amount from the gross annual wages to compute the taxable income.

    Exemption Allowance = ▶$3,300◀ x Number of (Personal/Dependency) Exemptions

6. Multiply the result of step 5 by 3.9 percent to obtain the amount of annual Michigan tax withholding.

7. Divide the annual Michigan tax withholding by 26 to obtain the biweekly Michigan tax withholding.